Strata Living
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Dear Tony: Our strata corporation has always been vigilant about some level of long term planning and investing money for the future. We are a large 266 unit strata with about 3 million in our reserve funds, and this year we generated over $60,000 in interest revenue. Our treasurer has decided to put the revenue into our operating account for this year, claiming it is a revenue item that we must report. The problem with this decision is that it essentially means we have a $75,000 surplus at the end of the year, and owners want a reduction in strata fees. Is there some direction in how we administer the surplus and where it is shown as revenue or how we report this?

Davina W.

Dear Davina: The Strata Property Act is perfectly clear on the obligation of the interest on the contingency reserve fund. Any interest or income earned on the money in the contingency reserve fund becomes part of the fund. Strata corporations enjoy a special taxation privilege on interest earned on the contingency reserve fund, as strata corporations do not pay taxes on the revenues earned from the fund. The other issue that is identified under the regulations is that the strata corporation must account for and report the financial requirements separately for the contingency reserve fund, the operating fund, and any special levies. Each fund serves a separate purpose and has separate limitations and restrictions on its use. For example, a special levy fund must be accounted for separately, and if at the end of the project any owner is entitled to receive $100 or more in a refunds, the strata corporation must refund the proportional unit entitlement amount to each strata lot owner. There are no refunds for contingency projects, the strata simply expends those fees as authorized and the balance remains in the account. The strata corporation must file a tax return for each fiscal year, and must provide a copy of their annual financial statements with their tax returns. Residential strata corporations are essentially non taxable; however, if a strata uses their funds for a purpose other than authorized by the Act, for example, disbursing contingency interest revenues to the owners, the strata corporation’s non taxable status may be affected, and each owner would have to claim the revenue.